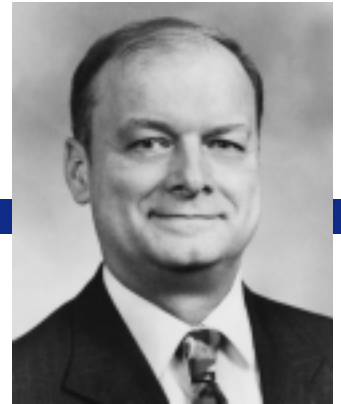


***Making Your
Voice Heard
in Olympia!***

STATE BUDGET UPDATE

REP. JIM BUCK
24TH DISTRICT



A REPORT ON YOUR MONEY

November 2001

Dear Friends,

This time last year, state reserve accounts were healthy and stable. Since then, however, government's penchant for spending, combined with our slowing economy, have placed the state budget in a much different situation today.

We are in just the fifth month of a two-year budget cycle, and it appears the state budget is at risk of going in the red. When the Legislature convenes in January, lawmakers will be pressed to make difficult decisions to bring the budget into balance and protect important state services for the citizens of Washington.

Frankly, these are decisions that should have been made months ago. But instead of making responsible budget choices, Senate budget writers abandoned bipartisan negotiations and chose to move forward with a budget that spends more than we take in, and more than we can afford. Consequently, we now have a budget that is unsustainable and has put taxpayers at risk.

In fact, the first tax-hike proposals are already on the table. And sure enough, Gov. Locke and his budget people are talking about cutting hundreds of millions of dollars slated for public services, and we're only a quarter of the way into the new fiscal cycle.

I find particularly disturbing those who would use the tragic events of Sept. 11 as political cover for the budget time bomb that started ticking the minute it was passed last June. We knew prior to the terrorist assaults that the state's economy was weakening. The attacks aggravated an already precarious financial situation fueled by downturns in aerospace, high-tech and agriculture. All of the elements were in place for an economic train wreck even before the terrorists struck.

How this all came about, and what lawmakers can do to make better use of your money, are among the issues I've tried to address in this budget update. There are tough challenges ahead, but I am confident we can avoid needless tax increases and protect the citizens I represent by creating a ***responsible, sustainable*** state budget.

Sincerely,

A handwritten signature in blue ink that reads "Jim Buck".

Rep. Jim Buck

LEGISLATIVE HOTLINE:
1 - 800 - 562 - 6000

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BUILDING A STATE BUDGET

The state spending plan actually consists of three separate budgets:

- 1) The operating budget
- 2) The transportation budget
- 3) The capital budget

These budgets are paid for through different funding sources. They are adopted every two years, with the current biennium beginning July 1, 2001 and ending June 30, 2003. However it is normal to make adjustments each year in these budgets to pay for unforeseen emergencies and unexpected needs, such as wildfire suppression, disaster relief, and caseload changes.



OPERATING BUDGET

The budget we most commonly refer to is the state operating budget, which includes appropriations from the general fund and other dedicated accounts for general government operations. This includes funding for schools, colleges and universities, human services, natural resource management, and other general needs.

The current 2001-03 general fund budget, crafted by Democrat lawmakers, totals \$22.8 billion. However with the level of spending in the budget combined with declining revenues, some analysts anticipate that we will be facing a deficit in the general fund of close to **\$1 billion**. **Legislators will be forced to make real cuts to the operating budget this year if we are to bring it back into balance without raising taxes.** (See more on opposite page)

TRANSPORTATION BUDGET

The transportation budget funds highway construction, ferry services, transit services, the Washington State Patrol, and other transportation-related items. The 2001-03 state transportation budget totals \$3.4 billion, but it is widely considered insufficient to meet our state's growing transportation needs. **The current budget does not provide funding for new road construction projects over this period – only maintenance and preservation of existing highways.**

Lawmakers have been working on a new revenue plan that would provide funding for \$10 billion in new projects to relieve traffic congestion, improve economic opportunities and make highways safer. But an agreement on a funding plan could not be reached during the 2001 session.

Among the key sticking points were proposals for a hefty increase in the gas tax, a hike in the tax on diesel fuel, and an increase in fees paid by owners of trucks and recreational vehicles. A key area of disagreement was whether the public should be allowed to vote on any new taxes needed to fund the plan. Republicans in the House have insisted that voters have the final say, while the governor and legislative Democrats do not want the tax package to go on the ballot.

CAPITAL BUDGET

The state capital budget covers construction and remodeling costs for state facilities, including schools, state offices, parks and other items such as habitat improvement. The 2001-03 capital budget funds approximately \$2.5 billion in construction costs over the two-year budget period.

STATE BUDGET UPDATE



CAPITAL BUDGET CONT'D

A large share of state construction costs are funded through bonds, which are often backed by general fund revenues. Due to declining revenues, there is a fear that the state may not be able to support the level of bonding needed to pay for projects in the current budget. The governor has put a hold on borrowing for new construction projects.

Given our current revenue picture, I believe the governor's decision to hold off on borrowing may be prudent. However, I will be working to make sure important construction needs are not held up unnecessarily for political reasons.

OPERATING BUDGET POSES A CHALLENGE FOR LAWMAKERS

More difficult decisions are in store for the Legislature, as our state's economy continues to slow and lawmakers work to protect important services. Just five months into our two-year budget cycle, it looks as though lawmakers will be forced to cut services or programs in order keep the Democrats' budget in balance.

The collection of tax revenues has been steadily slowing over the past several months due to our cooling economy. Meanwhile, health care costs are rising substantially, DSHS is plagued by major lawsuits, and we've incurred \$10 million in emergency expenses fighting wildfires this summer. Additionally, security issues at schools and other public facilities have become a paramount concern.

It will require a genuine bipartisan effort to bring this budget back into balance and make it sustainable over the long term – without the need for new taxes.



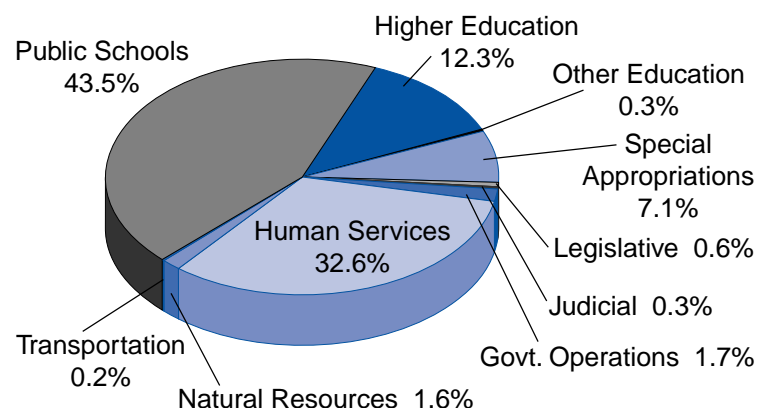
BRINGING A BUDGET INTO BALANCE

2001 - 03 BUDGET PICTURE

The latest economic forecast released in September showed a drop in tax revenue of more than \$100 million in the current biennium, and that was ***BEFORE*** economists had a chance to factor in the effects of the Sept. 11 attack have on our state and national economy. Some economists warn that we eventually could have a budget shortfall of close to \$1 billion.

2001-03 Projected Tax Revenues	\$22,021,800
2001-03 Budget Expenditures	\$22,786,783
Difference	-\$765 million

Unrestricted General Fund Reserve	\$66 million
Emergency Reserve	\$390 million



(Budget Picture continued on back page)



REP. JIM BUCK • SERVING THE 24TH DISTRICT

2001 - 03 BUDGET PICTURE CONT'D



The governor has asked seven of the largest state agencies to prepare contingency cuts of 15 percent from their budgets. The agencies he's targeted for cuts include the departments of Social and Health Services, Corrections, Community Development, Health, Ecology, and Fish and Wildlife, as well as the Office of Trade and Economic Development.

Approximately 43.5 percent of the \$22.8 billion general fund budget goes toward K-12 education — an area most lawmakers would rather not cut.

I was pleased to hear the governor say that the budget will be brought back into balance without raising taxes. Republicans are committed to working with him in a bipartisan manner to accomplish this.

BUCK POWERPOINT BUDGET PRESENTATION - BUDGET 102

At each of my 24th District town meetings last month, I narrated the latest version of my PowerPoint slide-presentation about the state budget-writing process. I wrote and produced the program to help the average citizen get a clearer picture of how state budgets are drafted, and to provide an inside look at the institutional and political dynamics that affect the complex process. Most important, the presentation uses everyday language to demystify the terminology and clarify the procedures involved in developing the state's spending plans.

If your civic group, fraternal organization, business or social club would be interested in the program for your next meeting or event (or if you would like a copy), please contact my office.

REMEMBER, I'M HERE TO SERVE YOU AS WELL AS REPRESENT YOU.

Although the Legislature won't reconvene until January, my responsibilities as your state representative continue year-around. Please take the time to call or write whenever you have a problem in dealing with state government. My legislative assistant and I are always ready to do everything we can to help.

► **Rep. Jim Buck**
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**24TH DISTRICT
STATE BUDGET UPDATE**

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